McCabe, Robert L.

Honest money defined

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Honest Money Defined

An address delivered before the Hamilton Club of Chicago by ROBERT L. McCABE of the Chicago Bar, Monday Evening, April 29, 1895

Issued by
The Library and Publication Committee
By Authority of the Club

"HONEST MONEY DEFINED."

MR. PRESIDENT AND GENTLEMEN OF THE HAMILTON CLUB:—

BEGINNING with the agitation that resulted in the passage of the Bland-Allison Act in 1878, I have taken a deep interest in all policies that relate to our national system of finances.

In my study of the subject of a safe currency, I have been actuated by the best and most unselfish motives. I have not been influenced by my environments, and if my conclusions are wrong, it is the sole fault of my logic.

There is abundant evidence that the present tendency of the Democratic party is towards the free coinage of silver in spite of the influence of President Cleveland, who stands as firm as the rock of Gibraltar for honest money and national financial honor. Recent experience has convinced us that we might as well look toward Sodom and Gomorrah for a spiritual blessing, as to invoke assistance from a divided Democracy. During the greatest war of modern times the Republican party placed a bankrupt government upon a solvent basis. It substituted a national currency for a worthless Democratic state bank currency and afterwards made every dollar of our money the equal of the best in the world. I have an abiding confidence in the ability of this party to fearlessly meet and successfully resist the present rush for a depreciated currency, just as it met and overcame the greenback craze twenty years ago. In the approaching contest, honest money

men of all parties must centralize in the Republican party if this question is to be settled righteously, and at once. The fight is "on" and the Republican party cannot be recreant to its glorious record. The unmistakable tendency of the great Republican leaders is to plant their party firmly upon the single gold standard and limit the use of silver as a medium of exchange until there is an international agreement for its more comprehensive use. This is the only system of bimetallism that is practicable under existing conditions and which will maintain the concurrent circulation of gold and silver. It is now pretty well conceded on all sides that the free coinage of silver at the ratio of 16 to 1 by the United States alone would instantly banish gold from our currency and establish silver monometallism. The issue is clearly made up between gold and silver bimetallism on one hand and silver monometallism on the other. Its discussion will sharply define the lines between true bimetallists and silver monometallists. The forks of the road have been reached; the two can travel together no longer. Our national welfare demands a speedy settlement of this momentous question. Halting between bimetallism and silver monometallism has created suspense that has prostrated our mighty commerce by forbidding the safe investment of capital. Our commercial prestige and national integrity are at stake and the time has come for true bimetallists to take the aggressive.

International bimetallism differs radically in theory from that of our existing system of bimetallism. As no international agreement on this subject is in sight it is not germane to the present issue. Therefore I shall not discuss it.

And as the time allotted me this evening forbids an exhaustive discussion, I shall only attempt to present the position of practical bimetallists clearly, concisely and briefly without describing in detail the calamitous effects of a change to silver monometallism. A great deal of confusion arises in the discussion of this question unless we discriminate between the use of money as a standard of value and its use as a medium of exchange. Our gold dollar is the standard of value, as a pound is the standard of weight, a yard the standard of length, and a gallon the standard of capacity. It is self-evident that honesty requires all pounds to be of the same weight, all yards of the same length, and all dollars of the same value. It is now contended by silver monometallists that the value of the gold standard has appreciated. This is denied by the believers in the single standard, who make the counter claim that a change to the double standard would suddenly and seriously depreciate the value of our standard.

Centuries of experience have taught the world that no two things sustain the same ratio of value to each other for any length of time. The relative values of wheat and corn, iron and copper, and silver and gold, are constantly varying with reference to each other. As the values of gold and silver have never fluctuated in unison, it is impossible for the United States to fix a legal ratio of value that will remain permanent and constant. If our standard of value is not constant, then there is the same violation of justice as would occur if yards changed in length and pounds in weight. When the ratio of value changes from the ratio fixed by law, then the law ceases to register the true relative value of the metals and no

one will exchange the more valuable metal for the other of less value. No one will take the dearer metal to the mint to be stamped for less than its true value, but like wheat, cotton and everything else, it will be taken where it will bring the most in exchange. It will not be offered for the payment of debts or for the purchase of articles, because by law the same debts can be paid by a metal of less value. Consequently the dearer metal will disappear as money and leave us only the cheaper metal. Our standard of value would constantly see-saw between gold and silver according to the fluctuations of each. The experience of the United States with the double standard of gold and silver, clearly illustrates its impracticability. By the law of 1792, the ratio between silver and gold was fixed at 15 to 1. But Congress, by fixing this ratio, undervalued gold, and as a consequence only silver was coined. Thus we had a double standard in theory, but a single standard in fact. To remedy this, the government in 1834 fixed the ratio at 16 to 1. But as the former ratio had undervalued gold, this ratio undervalued silver, which at once disappeared from our circulation. We were then left with the single gold standard until 1873, when the Congress by law made gold in theory what for forty years it had been in fact—our single standard of value. During the eighty years that we had the double standard in theory, we coined but a fraction over eight millions of silver dollars, of which none are now ever seen. They disappeared from our currency to be used in the arts and the currency of other nations, where silver was valued higher than it was by our government. If we should now without the coöperation of other nations readopt a double

standard and fix the ratio between silver and gold at 16 to 1, then the government would undervalue gold because in fact the value of 16 ounces of silver is only one half the value of 1 ounce of gold. As an inevitable consequence of this, gold would instantly disappear from our currency, as it did prior to 1834, and we would be left in fact with only silver. Under a double standard at a fixed ratio gold and silver have never circulated for any length of time in any country.

It is certainly clear to every one that the most unmitigated havoc would result if we should now suddenly substitute and by law compel people to take fifty cent dollars for 100 cent dollars. The disastrous consequences of such a course are apparent to any unprejudiced mind upon the slightest reflection.

The experience of the United States with a double standard has been the experience of the world. During the present century all the great commercial nations have substituted the single standard of value for the double standard without discarding the use of silver as a medium of exchange. They have chosen gold as this standard because it is divisible, indestructible and because it contains larger value in smaller bulk and fluctuates less than any other commodity. It is an impossibility to have an absolutely perfect standard of value. Strictly speaking, value is the relation—ratio—between things, which varies as these things vary with reference to each other. It can only be expressed accurately in numbers, but the demands of trade require that it be expressed in some tangible form. The length of a thirty-six inch yard will be exactly the same one hundred years hence as it is now. But the

so-called value of an ounce of gold may change in a week, because its value is estimated according to our desire to possess it and by the cost of its production. Gold, however, approaches nearer the perfect standard than anything else, because the demand for its possession, the cost of its production and the sources of its supply have been comparatively regular, uniform and constant from time immemorial. This is true of no other commodity. During all the ages the value of silver has been as capricious in its fluctuations as the mercury of a Chicago thermometer. This metal lacks the necessary constancy of value for a standard, but it has its invaluable uses as a medium of exchange.

I had the pleasure of reading a speech recently delivered before the Marquette Club by your distinguished president, the Hon. Sam'l Allerton. He advocated the abolition of both gold and silver as money, and the adoption of an intangible and effervescent standard of value—universal confidence in mankind as evidenced by due bills. This is quite an optimistic theory. But I am such an old fogy in my beliefs that I cannot repudiate the well known axiom that a standard must possess the same qualities as the thing it is designed to measure. A standard pound must have inherent weight, a standard yard must have lineal length and a standard dollar must have intrinsic value. Twenty-three and twenty-two hundredth grains of pure gold is valued at 100 cents, and our government stamps this amount of gold a dollar, because it is absolutely necessary that the coinage value of a standard dollar should be exactly equal to its bullion value. But, as I shall explain later on, it is otherwise with silver and paper dollars, because they are not standards of value. I am greatly surprised that Mr. Allerton should disdain the beautiful golden standard with which he has conjured so long and so successfully.

In addition to what I have already said, there are other potent reasons that appeal to Americans—who have become world-wide traders—to maintain the single gold standard. To prevent endless confusion, we must keep in line with the commercial powers of the earth. If we would extend our commerce, we must keep in concord with the world by observing its fixed business methods. We are a great and important part of the world, but the world is still greater than we, and can get along without us better than we can without it. We depend upon it to consume our surplus of wheat, cattle, corn, cotton, and our surplus of all other stocks.

The great commercial firms of the country, headed by such men as Marshall Field, J.V. Farwell and John Wanamaker, must observe certain settled and uniform rules, if they would transact business together with dispatch, economy and profit. But if one firm should disregard the rules of business, it would do so at the hazard of incurring ruin and disaster which usually result from such a course. And this is equally true of commercial nations. If commercial firms cannot agree as to the regulations of business, or if nations differ as to the wisdom of maintaining our present gold standard, then they should confer together until an agreement is reached. The advocates of silver would have us repudiate the established methods of the world by adopting silver as a standard of value at a ratio of 16 to 1. They inform us that we are mightier than the world and that

by pursuing an independent course we can coerce the world and bring it to our feet. It seems to me that it is possible for us to heat the furnace so hot for our adversary, that we would get singed ourselves. Our braggadocio should not exceed the strength of our commercial power. The works of civilization have made provincialism unpopular and unprofitable. It took Julius Cæsar 100 days of constant travel to reach the limits of his empire, but it has now become a pleasant recreation to encircle the globe in much less time. By means of electricity a contract can be made, a cargo of goods bought in any part of the world, and started on its voyage to Chicago within twenty-four hours. Money can be scooped from one corner of the globe to the other in an incredibly short period of time. Railways, telegraphs and ocean greyhounds have made neighbors of all nations and acquaintances of all men. Japan has just battered down the walls of China and has forced it to open its doors to the customs, usages and rules of advanced civilization. This certainly is not the time for America to renounce the usages of international commerce that have been established by the wisdom of civilization. Neither is it the time for America to abdicate its present commanding position among the great commercial powers. The stars and stripes should float in the ports of every nation and the white sails of American merchantmen should be seen on every sea around the globe. But if this shall be true, we must obey the rules of international commerce.

It is claimed by the silver monometallists that a double burden has been thrown upon gold by the demonetization of silver as a standard of value; that the supply of gold

is not sufficient to meet the growing wants of commerce, and therefore it has appreciated in value, while all other things have correspondingly depreciated in value; and, since gold has thus appreciated in value, debtors are now required to pay their debts in money much more valuable than that which they borrowed, and because of the scarcity of gold, capitalists are enabled to grind the poor by charging extortionate rates of interest. This is the storm center of the money question. It is the conviction of well informed men that gold has not appreciated in value, first, because we have lessened the demand for it by the universal use of checks and drafts and by the use of a limited amount of paper and silver money, and second, because its supply is keeping pace with the demand for it. To fully understand that the value of gold has not appreciated it is necessary for us to know the use of money as a medium of exchange as distinguished from its use as a standard of value. We can derive no immediate benefit from the actual possession of money, as it has no inherent qualities which immediately satisfy our wants or gratify our desires. We cannot eat it and we cannot wear it. It will not transport our goods, neither will it carry on our business. We merely use it as a means to attain these objects. We are indifferent whether these objects are accomplished by money or by its substitutes. Since we can derive no direct comfort, benefit or profit from its actual possession, we are induced to deposit it in banks for the sake of convenience and safe keeping. It is accessible to us for our immediate use at all times. When we are not using it the banks allow others to use it. By this means it is con-

stantly employed mediating exchanges either for us or for others. As it is inconvenient to handle the money, we pay our debts and make our purchases with bank checks. This method of doing business has so many advantages that it has become co-extensive with civilization. The bank will soon be the universal cashier and bookkeeper of the world. Checks, drafts and entries in ledgers are now used to such an extent that less than 10 per cent of our exchanges are made with money. And this is true of only 1 per cent of the exchanges of London and New York, where banking facilities are more abundant. The handling and passing of money is necessary only in retail trade and the settlement of final balances. The millions of exchanges that are made between individuals, sections and nations largely offset each other, so that it is only necessary to settle the final balances with money.

Any child knows that yardsticks cannot sell calico but that the sale of calico requires the use of yardsticks. A million yardsticks would not increase the business of Marshall Field. It has been truly said by some one, that "money does not create exchanges but exchanges create a necessity for money." It follows from this aphorism, that the quantity of money needed for a country does not depend upon the number of inhabitants, but rather upon the number of exchanges and the commercial methods of making these exchanges. A large per capita circulation will not increase our prosperity, as many people heedlessly think, nor will a large number of yardsticks increase the business of Marshall Field. Some people grow delirious in the delusion that they would have money in abundance if the government would issue it in

immense quantities. They forget that they can get money only by giving an equivalent for it, just as it is necessary to give an equivalent for clothes, meat, or anything of value. To get money a man must have something—either labor or products—which other people want and for which they are willing to exchange money. In 1892 our per capita circulation was $24.47—the largest amount we had ever had—yet our prosperity was suddenly transformed into depressing gloom, and for two years we have been compelled to suffer the hardships of unprecedented adversity.

Now let me call your attention to the enormous use we make of a certain kind of money that has not the intrinsic value of gold, and especially to the method by which we make this money as good as gold in debt-paying and purchasing power. The present bullion value of a silver dollar is 52 cents, yet, as a medium of exchange, it does all the work of a gold dollar, as both have the same debt-paying and purchasing power. Silver has this power, not because the government has stamped it a dollar, but because it is the policy of the government to exchange it for a gold dollar whenever it is presented. If the government should fail to carry out this policy for any reason whatever, then the purchasing and debt-paying power of silver would only equal its present bullion value of 52 cents. As Mexico does not maintain such a policy, the coinage value of its dollar is identical with its bullion value. I have been informed recently when silver had reached its lowest price two Mexican silver dollars, each containing 420 grains, were daily exchanged in the city of Mexico for one of our silver dollars, which contains only 412 1-2 grains.

The government can pass a law fixing value, but it cannot fix a value by passing a law. It can pass a law increasing the age of mortality, but this will not suspend the law of mortality and prolong human life. It can pass a law fixing the value of silver, but this will not suspend the law of supply and demand, and prevent the fluctuations of its value. Government has not sovereign power over the operations of natural laws. It is merely the agent of the people designed to act with intelligence and honesty.

In addition to gold and silver as media of exchange, we also have a paper currency. The purchasing and debt-paying power of a paper dollar varies according to our estimate of the ability and readiness of the government to redeem it in gold. At one time during the Civil War, our paper dollar was only worth forty cents in gold, but when the government resumed specie payments in 1879, it instantly became the equal of gold in debt-paying and purchasing power, and has remained so ever since.

I desire now to refer to a fact that is evident to every one in his daily experience. Gold coins of denominations under five dollars are scarcely ever used, because of their inconvenient smallness and the consequent danger of loss. Neither are the gold coins of larger denominations extensively used, as they are too bulky and apt to be confused and passed for baser coins of less value. As far as we are able, therefore, we refrain from using gold in retail trade and the settlement of balances among our own countrymen. For the sake of convenience and safety, we prefer to use silver of minor denominations, paper money and checks and drafts, instead of gold. We can get the gold for these substitutes if we want it, but so long as this belief is unshaken, we do not want it because of its inconvenience. The greatest use we make of gold as a medium of exchange is for the settlement of the balance of trade between nations. Even this could be dispensed with largely if there were an established international monetary and currency system. In transactions among ourselves, we practically use gold only as a standard of value. In transactions with other nations, we use it not only as a standard of value, but as a medium of exchange. Only one per cent of our exchanges are mediated with gold as a circulating medium.

Our currency embraces about four hundred millions of paper, six hundred millions of silver, and six hundred millions of gold; every dollar of which is the equal of the other in debt-paying and purchasing power. With this limited amount of circulating media we are enabled to sustain annually sixty billion dollars of exchanges. This shows that the principal function of money is as a standard of value, and that its use as a medium of exchange is secondary and comparatively insignificant. By means of an extensive credit system the vast majority of exchanges are effected without the actual use of money as a medium of exchange. But in all exchanges, whether with or without the actual use of money, there is an ideal use of gold as a measure or standard of value. So long as confidence prevails we have slight use for a circulating medium. Money is then abundant in quantity and easy to get. We say then that we have "good times." But when confidence vanishes, our credit system instantly collapses. A tremendous burden is thus thrown on our circulating medium, for the possession of which there is a wild rush.

a panic ensues; money is hard to get and then we say "times are hard." Our greatest danger lies in a contraction of credit. Nothing produces this contraction so certainly and speedily as tampering with the standard of value. Two years ago the integrity of our standard was menaced by the operation of the Sherman silver law; confidence fled; contraction of credit followed and since then "times have been hard." Thus far the supply of gold has always been ample to sustain a safe currency for us. I say a safe currency, as distinguished from a debauched and unsound currency. So long as we maintain a safe currency, we can get all the gold we need, for there is no scarcity of it, to meet legitimate demands. As the United States is the wealthiest and most powerful nation in the world—as it offers superior inducements for the permanent investment of money, it can easily outstrip all others in the acquisition of gold and maintain a supply adequate to all the demands of commerce.

The world's supply of gold during the last forty-five years has increased fifty per cent over its supply during the three preceding centuries. And now almost simultaneously the intelligence comes to us of fabulous discoveries of the yellow metal in Australia, South Africa, Alaska, British Columbia, French Guiana, Patagonia, and Colorado. Even if it were true that the supply of gold is inadequate, these new treasuries of wealth would moderate the demands of commerce gradually, safely and certainly.

Now for a moment let us recapitulate some of our conclusions. We have seen that prior to 1873, silver had in fact been demonetized for forty years, and during that period had no place of consequence in our monetary

system as a medium of exchange and was not used at all as a standard of value; that only five per cent of our exchanges require the actual use of money and gold is used to mediate but one per cent of them; that the use of circulating media is limited to retail trade and the settlement of final balances; that the chief use of gold as a circulating medium, is for the settlement of the balance of trade between nations; that our per capita circulation vastly exceeds all former amounts; and finally that the world's stock of gold has increased in the most abundant profusion. These facts are conclusive evidence that the theoretical demonetization of silver in 1873 did not throw an additional burden on gold as a standard and appreciate its value, and correspondingly depreciate the values of other commodities. The demand of silver monometallists for "more money" is ill advised and utterly without excuse.

Before I entirely quit this feature of the subject, let me add a few words concerning the depreciation of the values of commodities since 1873. Gold measures the value of labor as well as of commodities. If it has appreciated, then labor and all commodities should depreciate at the same time. But this is not true, as every one knows from personal knowledge. Statistics show that there has been a general, though not a regular, decline in the values of most commodities, though not all, and they also show that the average wages have increased from \$1.48 in 1873 to \$1.60 in 1890. If we use the majority of commodities as the test, then gold has apparently appreciated, but if we use labor as the test, then gold has apparently depreciated. If these discordant facts prove anything,

they tend to prove that the value of gold has remained normal. The failures of strikes have been regular and have become proverbial. Therefore we are constrained to believe that labor organizations have been as ineffectual in maintaining and increasing the wages of labor as trusts have been to maintain and increase the prices of commodities. In advancing this argument, that commodities have depreciated as gold has appreciated in value, the silver monometallists have challenged the wisdom and tackled the progress of our great nineteenth century civilization. The chief aim of science is for the amelioration of the condition of the human race. To accomplish this end, it has tasked its sagacious mind for methods to cheapen the commodities of life, and at the same time furnish labor with the largest means to get and enjoy them. An advanced civilization has reduced the values of commodities by providing improved processes of production, labor-saving inventions and increased facilities for rapid transportation and distribution. And at the same time it has increased the value of labor by enhancing man's value of his own consequence. For years I have advocated a Protective Tariff as a policy highly essential to the welfare of my country. Protectionists from all quarters of the land unite in saying that the cardinal blessing of this system is its power to cheapen the price of goods and increase the wages of labor. Free traders believe that these beneficent results can only be accomplished by the adoption of their system, and accordingly have combated the position of protectionists. Until the commencement of this silver agitation all people—free traders and protectionists alike—were unanimous in the belief that it was a good condition and not a "crime," to have low priced commodities and high priced labor.

Silver monometallists plausibly and constantly use this illustration: That if the world should stop the use of all cereals and depend solely upon wheat as its bread stuff, then there would be an enormous demand for wheat and its value would advance correspondingly. They add that if this is true of wheat, then it is now true of gold—since silver has been demonetized. The comparison becomes absurd when we remember that the entire supply of wheat is represented by one year's crop, while the supply of gold represents a stock accumulated during the centuries and permanently increasing from year to year. Then again, when wheat is once used, it has served its sole purpose and can be of no further benefit, but gold will continue for ages to mediate countless exchanges unless it is accidentally lost or destroyed. Since wheat and most all commodities differ entirely from gold in supply, demand and use, the comparison utterly fails. But disregarding the illustration, the fact is that one reason why the value of wheat has not appreciated is because the people use rye, rice, barley, corn and oats as substitutes for it. For the same reason the value of gold has not appreciated because we use as substitutes for it, checks, drafts, silver and paper money.

It is recklessly asserted by the silver monometallists that a great crime was committed by the theoretical demonetization of silver in 1873, and that the law was passed by questionable methods and in a clandestine manner at the instance of a conspiracy of capitalists. If it had been true that there was a conspiracy among capitalists to enhance the value of money, they would undoubtedly have

had gold demonetized, because at that time our insignificant stock of silver had utterly disappeared, our production of it was then small as compared to gold, and there was nothing to indicate that it would soon increase. If these fanciful conspirators had intended to "run a corner" on standard money they certainly would have chosen the scarcer metal, which at that time was silver. Now let us see how this law was sneaked through Congress. A bill demonetizing silver was recommended for passage to the Congress in a report by the Comptroller of the Treasury. The bill was printed many times, considered often by the committees, and debated fully in both houses. In different shapes the Senate passed it three times and the House twice. The debates on this measure cover 144 columns of the Congressional Globe, which is conclusive proof that the question had the fullest consideration. It fills me with indignation to hear the constant vilification of John Sherman for the part he took in the consideration of this law. Notwithstanding he voted against the measure, his subsequent attitude has been as patriotic as it has been great. His financial wisdom commands the homage of the world and should have at least the silent respect of his fellow countrymen. Although he may have the riches of Crœsus, yet he has the virtues of Cato. The virulent attacks of silver monometallists upon this foremost statesman of America is evidence of a weak cause. Abuse of your professor will solve no problem in geometry, neither can the demonetization of silver be proved a crime nor the free coinage of silver a blessing by impugning the honor of John Sherman.

The theoretical demonetization of silver in 1873 only

emphasized the well known fact that it had been demonetized for forty years, during which time the standard silver dollar had been a constant renegade to our currency. As silver was not present at any time subsequent to 1834 to share the work of gold, we are irresistibly forced to the conclusion that its theoretical demonetization in 1873 did not and could not increase the burden of gold. Every one knows that the decline in the value of silver was due primarily and directly to the enormous production of newly discovered mines and to the improved and less costly methods of mining.

In 1875 the Resumption Act was passed. It went into effect in 1879, and all our paper currency was "rounded up" on the gold basis. Greenbackers and Fiatists frantically predicted that Resumption on a gold basis meant contraction, and contraction meant widespread distress and universal want. But Resumption came and was followed by five years of the most unexampled prosperity the country had ever known. We had money; we had the best money in the world, and we had plenty of it. Our natural resources were rapidly developed, mills and factories sprang up on all sides, railroads were projected in every direction, and every community was startled into activity by new enterprises. This continued until the latter part of the eighties, when a lull overspread commerce and there began a gradual enervation in all lines of industry that finally resulted in our present enthralled condition. It is a fact within the recollection of all here, that the prosperity which followed Resumption gradually waned as the volume of our silver currency gradually increased. This is apparent when we consider our silver

policy. In 1878 the Bland-Allison Act was passed, and wisely vetoed by President Hayes, and as unwisely passed over his veto by a two-thirds majority of each house of Congress. This law provided for a minimum monthly coinage of two millions of silver dollars, whose bullion value then was eighty-seven cents each and now depreciated to fifty-two cents. During the first five months of the operation of this law, we coined more silver dollars than we had during our entire previous national life. For the first ten years, the working of this law produced no ostensible harm. Its influence was imperceptible either for good or bad, but the continued and steady monthly increase of silver awakened the fear that we were certainly approaching the silver basis—step by step and a two million step every month. As time passed our stock of depreciated silver was growing out of safe proportion to our stock of gold, with which it was convertible and upon which depended the maintenance of its legal debt-paying and purchasing power. Capitalists hoped for a repeal of the law before our stock of silver should become so large as to render it impossible for the government to keep it at par with gold. Sustained by this hope, capital remained passive. It did not withdraw from established enterprises, but prudence forbade its further investments in new ventures until repeal should be an accomplished fact. But aside from these demoralizing tendencies of silver there was another strong reason for stopping the continued increase. The people had more silver money than they wanted. They have been surfeited with it. They would not and will not tolerate a large amount of bulky money. Of the 420 millions of silver dollars coined,

the government by the most strenuous efforts has been able to keep only sixty millions in circulation, and this marks the true limit of the usefulness of silver as money. But instead of repealing the Bland-Allison law, the Congress in 1890 substituted the Sherman law, which more than doubled our former monthly increase of silver. Instant alarm pervaded the ranks of capitalists. They saw the government could not long maintain the parity between silver and gold under the continued operation of this new law. They knew that as soon as the government was unable to maintain its policy of making gold and silver convertible, the purchasing and debt-paying power of silver would only equal its bullion value of sixty cents, and that this would be the only money offered them in payment of their one hundred cent investments. There was at that time, as you remember, a widespread and simultaneous movement among capitalists to protect themselves against this portentous danger. Millions upon millions of American securities were sold right and left. The proceeds were converted into gold and imported to capitalists abroad and hoarded by capitalists at home. Gold disappeared from circulation. In all quarters of the country people rushed with one accord to withdraw their deposits from the banks. A sudden and blighting contraction of the currency ensued. As confidence fled the fabric of our great credit system correspondingly collapsed. For two years the energy of commerce has been paralyzed and pecuniary distress and personal want have been the common lot of the American people. We were stranded with a currency which is kept at par only by the stubborn determination of President Cleveland. He has patriotically de-

clared that he will hypothecate the last dollar of American credit to get the gold that is necessary to maintain our great mass of silver at par.

We were not compelled to beg for gold between '79 and '85 as we are now doing. We had an abundance of it then and it stayed with us because its integrity was not threatened by the depreciating influence of silver. During those years we imported gold in large amounts, but soon afterwards we were exporting it even when the balance of trade was in our favor. We were not contented with this fruitful period that followed Resumption, when we had about five hundred millions of gold, plenty of money good as gold and scarcely any silver. But we must try the experiment of increasing our prosperity by increasing the volume of depreciated silver. We have sadly learned that the result is the reverse of what was claimed and expected. Just before we repealed the Sherman law two years ago, we had about six hundred millions of gold and six hundred and twenty millions of silver, but this great addition of silver to our currency has not prevented but has been the direct cause of the present widespread financial depression. When I consider that this is the result of the limited coinage of silver, I am appalled to think of the paroxysms of commerce and universal despair that will follow the free and unlimited coinage of this fluctuating metal. Our present thralldom would only be the evening of a long night of intense suffering. If people will not now listen to reason, then they will be required to learn wisdom with an empty stomach and gather knowledge in ragged clothes. The grasp of hard times will not be relaxed until the agitators for a depreciated currency

are beaten into harmless silence. Even now, capital is eager to plunge into American enterprises and reap profits from an abundant and common welfare. But we can entice it back only by giving it the positive assurance that we will always be honest enough to return what it gives us and that we will not return a fifty cent dollar for its one hundred cent dollar. Until our intentions as to the present issue of free silver are definitely known capital will continue to shun our investments. We must first convince it that we are not joined to the idol of depreciated silver. It is impossible for us to have a safe system of currency until gold is indisputably established as our single standard of value. Around this standard we can construct a currency that will be the equal of the best in the world. We must fix the center-pole before we spread the tent. We must reaffirm our adherence to the single standard before we can readjust our currency. Then we can have money in abundance and it will be honest money.

For the settlement of this question our first duty is to smash silver monometallism in the face and then commission the Republican party to reconstruct a system of currency along lines as intelligent and comprehensive as those of its glorious record. This will open the treasuries and unlock the vaults of wealth. Gold will rush into the development of commerce in greater profusion than it was borne to the treasury of Crœsus by the streams of Pactolus. The golden days of Resumption will come again; the boom of good times will be full upon us; prosperity will reign "beyond the dreams of avarice;" and this will be "the way we long have sought and mourned because we found it not."

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